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Rewald wasn't a CIA agent, congressional aide says

By Walter Wright
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The general counsel of a congressional subcommittee yesterday flatly denied ABC Evening News' Tuesday report that the CIA told the subcommittee Ronald Rewald was a CIA

agent with a signed secrecy agreement.

At the same time, subcommittee attorney Michael Barrett confirmed an exclusive Advertiser report, published yesterday, that the CIA admits it knew about Rewald's previous bankruptcies and criminal con-

viction when it agreed to use his firm for "backstop" cover for CIA agents working abroad.

Barrett, asked about the ABC report, said CIA personnel he interviewed "did not acknowledge to us they had a secrecy agreement" from Rewald, "and they have denied he was an agent."

ABC last night also broadcast an unsubstantiated claim by Scott Barnes, a former Hawaii prison guard, that he was hired by the CIA to kill Rewald but decided not to.

The Advertiser has been aware of Barnes' claim for several months, but has not published it because it has found no substantiation.

Barrett, general counsel for the House Commerce and Energy Committee's subcommittee on oversight, told The Advertiser yesterday that the CIA admitted using Rewald's company to provide telephone and mailing address backstops for agents, "but they say that's the extent of it."

Rewald also wrote rambling letters to CIA station chiefs in Honolulu about his travels abroad, and apparently was asked by them to gather information about some foreign business and political leaders if he could on his travels.

It is not uncommon for the CIA to ask U.S. citizens traveling abroad for such assistance.

Barrett confirmed The Advertiser's report Wednesday that the CIA continued to work with Rewald even after it learned that he and his Wisconsin sporting goods company had both gone through bankruptcy, and that Rewald had been convicted of misdemeanor criminal violation of laws regulating franchise operations in Wisconsin.

"They did a background check on him originally and found nothing," Barrett said. "They say there was a time lag on the information about the bankruptcy, that the record was not available at the time they did the first check."

"Then (a few months later) they did a recheck and found it out, but by that time they had already entered into their dealings with him."

The two checks were done in 1978, Barrett said he was told, "just shortly after he went to Hawaii."

The CIA apparently went no further, and a knowledgeable official suggests that Rewald talked the CIA out of doing the customary interviews with past associates usually involved in a security clearance.

Rewald is believed to have urged the CIA not to interview old associates, on the pretext that the interviews, even if conducted under some plausible cover, might nevertheless raise questions which could endanger his fledgling investment counseling operation.

Barrett said the CIA indicated it began worrying about Rewald's flamboyant lifestyle and high profile in the fall of 1982. The agency may then have begun to discover that there were some questions about

exactly what Rewald was doing with other people's money.

What the agency knew and when it knew it is important to those investors who claim the CIA bears responsibility for their losses in Rewald's firm because it either knew or should have known the money was not being invested.

Rewald was charged with theft shortly after the company collapsed in August 1983, and last month was hit with a 100-count federal indictment charging fraud, perjury and income tax evasion.

By January 1983, the CIA had been alerted by Rewald himself that the Internal Revenue Service was investigating him. The CIA got the IRS to pause long enough for the CIA to see if it had any personnel who would be endangered by the IRS investigation; then the IRS resumed its probe.

At the same time, the CIA got at least one active agent to withdraw his personal investment with Bishop Baldwin, as reported by The Advertiser last April.

The ABC report last night followed a first installment in which the network said — again without revealing any substantiation — that Bishop Baldwin sold arms to Taiwan for the CIA in violation of U.S. treaties with communist China.

The Advertiser has reviewed telexes purporting to discuss such a deal, but has found no evidence of it except that generated by Rewald or his associates at his direction.

Barrett said yesterday he has seen no proof of any such arms deals.

Another official familiar with the case says Rewald invented the supposed arms deals and then offered information about them to the CIA in a desperate attempt to maintain or enhance his relations with the agency at a time when his company was in trouble.

ABC also broadcast Rewald's unsubstantiated claim that money lost by 400 investors in his firm is not missing but hidden in several bank accounts.

But bankruptcy trustee Thomas Hayes says he — and the FBI — have accounted for virtually every penny of the \$22 million taken in by Rewald. Some of it was returned to investors as principle and interest; about \$5 million was spent on company operations; and about \$5 million was spent by Rewald on himself and friends and family, Hayes says. None of the money is missing, Hayes said. All of it, including about \$3,000 received from the CIA as reimbursement for telephone service charges and telex expenses, has been accounted for, he said.

Hayes said the ABC report appeared to him to be "an upbeat version of very old news."



Advertiser photo by David Yamada

The past revisited

If you're passing by the lagoon at the Hilton Hawaiian Village, you're likely to stumble on this old fort made of sand. Norman Richard Kraus, who's known throughout the United States for the commissioned sand castles he builds, made this re-creation of Ke-kuanohe Fort. The original fort, which was torn down 120 years ago, was built in 1818 in what is now downtown and gave Fort Street its name. Kraus is a multi-media artist who will be demonstrating his craft from 10 a.m. to 3 p.m. Saturday at the Hilton lagoon.

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